

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 ARA-06 EUR-12 EA-06 NEA-10 ISO-00 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

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NSC-05 SS-15 STR-04 CEA-01 L-03 H-02 PA-01 PRS-01

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DRAFTED BY TREAS:CLOHMANN:WW

APPROVED BY EB/IFD/ODF:JWINDER

TREAS:JBUSHNELL

EB/IFD/ODF:FHTHOMAS

LA/MRSD:PLANSDALE

ARA:AFISHLOW

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R 222008Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY GUATEMALA

AMEMBASSY THE HAGUE

AMEMBASSY KINGSTON

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY MADRID

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AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY MONTEVIDEO

AMEMBASSY OTTAWA  
AMEMBASSY PANAMA  
AMEMBASSY PORT AU PRINCE  
AMEMBASSY QUITO  
AMEMBASSY ROME  
AMEMBASSY SAN JOSE  
AMEMBASSY SAN SALVADOR  
AMEMBASSY SANTIAGO  
AMEMBASSY SANTO DOMINGO  
AMEMBASSY TEGUCIGALPA  
AMEMBASSY TEL AVIV  
AMEMBASSY TOKYO  
AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EFIN, IDB

SUBJECT: IDB CAPITAL REPLENISHMENT

1. SUMMARY - AT A SPECIAL MEETING ON JULY 9 THE BOARD OF GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT BANK (IDB) APPROVED A PROPOSAL FOR A RECORD DOLS. 6.2 BILLION REPLENISHMENT OF THE IDB DURING THE PERIOD 1976-79. IMPLEMENTATION OF THE REPLENISHMENT BY THE IDB MEMBER NATIONS WILL HELP THE BANK TO EXPAND ITS LENDING PROGRAM BY ABOUT 7 PERCENT ANNUALLY IN REAL TERMS, OR TO APPROXIMATELY DOLS. 1,800 MILLION IN 1978 COMPARED TO DOLS. 1,111 MILLION IN 1974. SEVERAL OF THE MOST DEVELOPED LATIN COUNTRIES RESPONDED POSITIVELY TO A U.S. PROPOSAL TO TAKE AN IMPORTANT STEP TOWARD BURDEN SHARING BY AGREEING TO MAKE CONVERTIBLE ALL OR PART OF THEIR CONTRIBUTIONS TO THE SOFT-TERM WINDOW FSO. PROJECTED U.S. PARTICIPATION OF DOLS. 2,250 MILLION IS SIGNIFICANTLY LARGER THAN IN ANY PREVIOUS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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REPLENISHMENT AND AFFIRMS STRONG U.S. COMMITMENT TO HELP FINANCE ECONOMIC AND SOCIAL DEVELOPMENT IN LATIN AMERICA. EXECUTIVE BRANCH PLANS TO SUBMIT TO THE CONGRESS AUTHORIZING LEGISLATION ON THE REPLENISHMENT IN NEAR FUTURE. PROPOSALS FOR EXPANSION OF MEMBERSHIP AND LENDING TO THE CARIBBEAN DEVELOPMENT BANK WERE FORWARDED TO THE CONGRESS IN EARLY JUNE. CONGRESSIONAL ACTION ON REPLENISHMENT NEGOTIATIONS IN SANTO DOMINGO MAY 19-21, PARIS JUNE 10-11, AND BILATERAL DISCUSSIONS WITH KEY FINANCE MINISTRIES WAS THE AGREEMENT BY ARGENTINA, BRAZIL, MEXICO, VENEZUELA, AND TRINIDAD AND TOBAGO TO REFRAIN FROM BORROWING CONVERTIBLE CURRENCIES FROM THE SOFT-TERM

FUND FOR SPECIAL OPERATIONS (FSO) DURING THE REPLENISHMENT CONTRIBUTIONS TO FSO. THESE CONVERTIBLE CONTRIBUTIONS WILL TOTAL DOLS. 118 MILLION DURING THE PERIOD 1976-78 AND ADDED TO DOLS. 50 MILLION PLEDGED BY CANADA AND DOLS. 600 MILLION BY THE UNITED STATES GIVE A GRAND TOTAL OF CONVERTIBLE CURRENCY CONTRIBUTIONS TO THE FSO OF DOLS. 768 MILLION. VENEZUELA WAS ESPECIALLY FORTHCOMING. IT WILL CONTRIBUTE DOLS. 60 MILLION OR APPROXIMATELY ONE-HALF OF THE LATIN CONVERTIBLE CURRENCY CONTRIBUTIONS TO THE FSO. IN ADDITION, IT AGREED TO MAKE CONVERTIBLE APPROXIMATELY DOLS. 100 MILLION EQUIVALENT OF BOLIVARES ALREADY IN THE FSO. ALSO VENEZUELA ESTABLISHED EARLIER THIS YEAR A DOLS. 500 MILLION TRUST FUND FOR ADMINISTRATION BY THE IDB.

3. THE POSITIVE RESPONSE BY THE FIVE LATIN AMERICAN COUNTRIES TO OUR EFFORT TO BROADEN THE SHARING OF DEVELOPMENT FINANCE LED THE EXECUTIVE BRANCH TO INCREASE THE ORIGINALLY PROPOSED U.S. PARTICIPATION BY DOLS. 450 MILLION. AS A RESULT THE U.S. TOTAL OF DOLS. 2,250 MILLION WILL CONSIST OF DOLS. 1,650 MILLION IN SUBSCRIPTIONS TO CAPITAL SHARES (DOLS. 120 MILLION PAID-IN) AND DOLS. 600 MILLION IN CONTRIBUTIONS TO THE FSO. EVEN WITH CANADIAN REPLENISHMENT OF DOLS. 310 MILLION AND ANTICIPATED INITIAL PAYMENTS OF DOLS. 745 MILLION BY TWELVE PROSPECTIVE NON-REGIONAL MEMBERS, U.S. REPLENISHMENT PARTICIPATION WILL ACCOUNT FOR WELL OVER ONE-HALF OF ALL NEW CONVERTIBLE CURRENCY RESOURCES TO BE MADE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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AVAILABLE TO THE IDB IN 1976-79. THIS LEVEL OF CONTRIBUTION AND THE WILLINGNESS OF THE CONGRESS (HOUSING BANKING AND CURRENCY COMMITTEE) TO HOLD EARLY HEARINGS ON THE PROPOSAL CLEARLY INDICATE FIRM U.S. SUPPORT OF MULTILATERAL FINANCIAL COOPERATION WITHIN THE IDB AS A KEY FACTOR IN U.S. RELATIONS WITH LATIN AMERICA AS WELL AS IN THE ECONOMIC DEVELOPMENT OF THE AREA.

4. THE TOTAL REPLENISHMENT WILL AMOUNT TO DOLS. 6,176 MILLION CONSISTING OF DOLS. 5,131 MILLION IN NEWLY AUTHORIZED AND ASSIGNED CAPITAL SHARES AND DOLS. 1,045 MILLION IN CONTRIBUTIONS TO THE FSO. THE CAPITAL PORTION WILL BE DOLS. 332 MILLION PAID-IN AND ABOUT DOLS. 4,800 MILLION TO CALLABLE. CONVERTIBLE CURRENCY CALLABLE CAPITAL SUBSCRIPTIONS SERVE AS AN EFFECTIVE GUARANTEE WHICH PERMITS THE IDB TO BORROW FUNDS IN CAPITAL MARKETS IN SUPPORT OF ITS ORDINARY CAPITAL OR HARD-TERM LENDING

OPERATIONS.

5. U.S. CAPITAL SUBSCRIPTIONS OF DOLS. 1,650 MILLION WILL

CONSIST OF DOLS. 600 MILLION CALLABLE ORDINARY CAPITAL,  
DOLS. 930 MILLION CALLABLE INTER-REGIONAL CAPITAL, AND  
DOLS. 120 MILLION PAID-IN INTER-REGIONAL CAPITAL.  
QTE INTER-REGIONAL CAPITAL UNQTE STOCK WILL BE CREATED  
IN IMPLEMENTING PROPOSED IDB MEMBERSHIP FOR NON-REGIONAL  
COUNTRIES. THE ADMINISTRATION PLANS TO SEEK CONGRESSIONAL  
AUTHORIZATION FOR THE ENTIRE U.S. REPLENISHMENT BUT NOT  
APPROPRIATION OF THE INTER-REGIONAL CALLABLE CAPITAL. THE

COVENANTS LIMITING BORROWING AGAINST ORDINARY CAPITAL TO  
THE AMOUNT OF U.S. CALLABLE AVAILABLE ON DEMAND WILL NOT  
APPLY TO INTER-REGIONAL CAPITAL AND SUBSCRIPTION OF  
CALLABLE INTER-REGIONAL CAPITAL WILL NOT BE DEPENDENT ON  
PRIOR APPROPRIATION.

6. AS A RESULT OF THE COMBINED REPLENISHMENT AND NON-  
REGIONAL MEMBERS' ACCESSION, THE U.S. VOTING POWER IN  
THE IDB WILL DECLINE FROM CURRENT 40 PERCENT TO ABOUT 35  
PERCENT. THIS WILL BE ADEQUATE TO MAINTAIN AN IMPORTANT  
U.S. ROLE IN THE IDB AND THE U.S. VETO IN THE FSO WHERE A  
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TWO-THIRDS MAJORITY GOVERNS OPERATIONS.

7. ALL MEMBER REPRESENTATIVES TO THE BOARD OF GOVERNORS  
MEETING PRAISED PRESIDENT ORTIZ MENA FOR HIS ROLE IN  
BRINGING ABOUT VERY SPEEDY AGREEMENT ON REPLENISHMENT.  
PRAISE WAS ALSO GENERAL FOR POSITIVE U.S. ATTITUDE AND  
FOR AGREEMENT BY 5 LA COUNTRIES TO CONTRIBUTE CONVERTIBLE  
CURRENCY TO FSO. ARGENTINE REPRESENTATIVE EXPRESSED  
RESERVATIONS WITH THE REPORT OF THE WORKING GROUP ON  
REPLENISHMENT (BEGIN LOU) OWING APPARENTLY TO CONCERN WITH  
THE PROVISIONS FOR ARGENTINA REFRAINING FROM BORROWING  
CONVERTIBLE CURRENCY FROM THE FSO AND AGREEING TO MAKING  
CONVERTIBLE PART OF ITS CONTRIBUTION TO THE FSO. HIS  
POSITION WAS PROBABLY DUE TO THE POLITICAL SITUATION IN  
ARGENTINA AND THE LACK OF HIGH LEVEL CONFIRMATION OF THE  
ARGENTINE AGREEMENT ON THESE MATTERS AT THE MEETING IN  
PARIS (END LOU). THE BANK MANAGEMENT IS ATTEMPTING TO  
CLARIFY THE ARGENTINE POSITION. ALL OTHER MEMBERS  
SUPPORTED ADOPTION OF THE RESOLUTION APPROVING THE  
REPLENISHMENT PROPOSAL AND RECOMMENDING THAT GOVERNORS

SUBMIT IT TO THEIR GOVERNMENTS FOR IMPLEMENTATION.

8. EMBASSIES SHOULD EXPRESS TO FINANCE MINISTERS U.S.  
APPRECIATION FOR THEIR ROLE IN HELPING BRING ABOUT  
AGREEMENT ON LARGE REPLENISHMENT PACKAGE IN RECORD SHORT

TIME. EMBASSIES IN FIVE LA COUNTRIES MENTIONED IN PAR. 2  
SHOULD MAKE SPECIAL POINT OF U.S. APPRECIATION FOR

THEIR PREPAREDNESS TO REFRAIN FROM BORROWING CONVERTIBLE  
CURRENCIES FROM FSO DURING REPLENISHMENT AND TO MAKE  
CONVERTIBLE PART OF ALL OF THEIR CONTRIBUTIONS TO THE  
FSO.

9. STATISTICAL DETAILS WILL FOLLOW BY POUCH. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVELOPMENT FINANCE, BANKS, CAPITAL (FINANCE), REGIONAL ORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
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**Locator:** TEXT ON-LINE, TEXT ON MICROFILM  
**Office:** ORIGIN TRSY  
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BELGRADE  
BERN  
BOGOTA  
BONN  
BRASILIA

BRIDGETOWN  
BRUSSELS  
BUENOS AIRES  
CARACAS  
COPENHAGEN  
GUATEMALA  
THE HAGUE  
KINGSTON  
LA PAZ  
LIMA  
LONDON  
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